

BUDGET AND FINANCIAL GUIDELINES

Intermediate Schools Districts (ISDs) receive a slot allocation and a transportation allocation from the Michigan Department of Education (MDE) to provide preschool for eligible Michigan children. ISDs may choose to operate in consortium with one ISD assuming the role of fiscal agent. Whether the ISD directly provides programming or names eligible subrecipients to do so, the ISD has the responsibility to assure (MDE) that allocated funds are used responsibly to provide high-quality programming and services aligned with the Michigan Early Childhood Standards of Quality for Pre-K.

Fiscal Reporting

Financial reporting is accomplished in the Michigan Electronic Grants System Plus (MEGS+) and the Financial Information Database (FID). MEGS+ is an efficient grants management system that utilizes internet technologies to manage the grant application process. This process includes the full range of activities, including the announcement of grants, access to grant application information and reporting data that is stored centrally, and receipt and review of applications. MEGS+ interacts with a variety of other State of Michigan systems. These systems include *Grant Electronic Monitoring System (GEMS)*, and Michigan Education Information System (MEIS). ISDs and Local Education Agencies (LEAs) use the FID application to submit information from their annual financial reports, balance sheets, revenues, LEA and school expenditures.

Each ISD staff person that will work within these programs must have an established MEIS account. The following site allows the creation an account: http://www.michigan.gov/mde/0,1607,7-140-5236_29341---,00.html. In order to access the FID, users must have an active valid MEIS account and must have submitted to The Center for Educational Performance and Information (CEPI) a FID security agreement form signed by the district's lead administrator as indicated in the Educational Entity Master (EEM). For questions, contact CEPI Customer Support at 517-335-0505 or at CEPI@michigan.gov. Include the full name and complete telephone number (with area code) when contacting Customer Support.

Budget Guidelines

State funds are appropriated annually based on an October 1st to September 30th fiscal year. ISDs are to ensure that services and materials purchased for a given fiscal year are booked in the accounting system for that year.

GSRP funds may be used to pay for the following:

- Preschool Program Quality Assessment (PQA) for each classroom where even one GSRP-funded child is enrolled.
- Instructional materials and supplies
- The full cost for the provision of breakfast, lunch and/or snack (including items such as lunch aides, and meals and snacks for volunteer parents and

the classroom teaching staff) over and above all reimbursements the program is eligible for from applicable federal food programs. (See below)

- Lead teacher, associate teacher, early childhood specialist, and aide salaries and fringe benefits.
- Parent involvement activities
- Transportation for students
- Health support services
- Student support services
- Staff development and teacher/parent training
- Travel necessary to enable project staff to implement the early childhood program
- Office supplies and materials
- Communication
- Printing and binding
- A cost-allocated portion of the rent/mortgage payment or lien paid to an entity other than the ISD, or subrecipient for facility or space. Budgeting for space is not allowable when the subrecipient owns a building free and clear or when space is entirely paid for by any other source.
- Construction or renovation expenses related to licensing, as documented by the pre-licensing report and pre-approved by the MDE
- Furniture and Equipment such as shelving, tables, CD player

Great Start Readiness Program funds MAY NOT be used to pay for:

- Existing administrative, educational, or support personnel funded through other sources
- Indirect costs
- Costs that should be covered by Special Education
- Any costs associated with the provision of breakfast, lunch and/or snack if the program chooses not to participate in federal food programs for which it is eligible
- Space when the subrecipient owns the building free and clear or when space is paid for by any other source.

Administrative Cap

An ISD or a consortium of ISDs may use, for administrative services, a maximum of two percent of the total allocation. Additionally, an ISD or a consortium of ISDs may use a maximum of two percent of the total allocation for centralized collaborative recruitment, enrollment and public awareness of the program.

Subrecipients, including an ISD or a consortium of ISDs directly implementing the grant, may use, for administrative services, a maximum of five percent of the total allocation contracted to GSRP subrecipients to implement preschool programming. Any funds not utilized for administrative services at the ISD or subrecipient are used for program expenses.

Administrative caps are calculated discretely, with consideration for an ISD or consortium of ISDs that directly implement the grant. The following function codes

are considered 'administrative:' 230, 240, 250 and 280. Function code 260 is discontinued as an administrative code for GSRP.

Example:

- The ISD total allocation is \$1,000,000; the ISD may retain 2% for administration of the grant; \$20,000.
- The ISD may retain an additional 2% (\$20,000) for centralized collaborative recruitment, enrollment and public awareness of the program.
- The ISD has one subrecipient that receives \$480,000 for operating GSRP; the subrecipient can use up to 5% for administration of the program; \$24,000.
- The ISD also operates a program directly and keeps \$480,000 for that purpose; the ISD can use up to 5% for administration of the program; \$24,000.

Before contracting with grant subrecipients, the ISD must determine the percentage of the total allocation which it will dedicate to centralized, collaborative outreach-recruitment-awareness activities and ISD-level administration of the grant. An ISD retaining the 2 percent of the allocation allowed for recruitment and enrollment activities must ensure that recruitment and enrollment costs to subrecipients are similarly reduced by the activities undertaken by the ISD. Subrecipient contracts must include statements regarding the administrative services for both the ISD and subrecipient, including the percentage for each and the use. The contracts should also specify the amount for programmatic services, such as the ECS and PQA fees, that will remain in the ISD portion of the budget. Refer to the ISD Administration of GSRP section of the Implementation Manual for more information on written agreements.

Before submitting the FY15 MEGS+ GSRP Implementation Plan (formerly 'Application') the ISD must ensure that detailed administrative items in the slot allocation budget and the transportation budget are reasonable for the quality of the activities proposed, include proper function codes, and that costs are properly allocated between administration and program service delivery. There can be instances where a subrecipient is at or below the maximum administrative limit and still have excessive administrative costs for a position or service. There can be instances where a subrecipient wishes to classify an item as a 'dual benefit cost' and in these instances the ISD may permit split-funding if the subrecipient can clearly document to the ISD the allocation of costs. For example, personnel costs for a center director and secretary are primarily administrative costs. However, the ISD may permit split-funding with proper supportive documentation, such as a position description. In this instance, costs initially classified as dual benefit costs must be additionally designated as administrative or programmatic. The documentation that justifies split funding and the GSRP proportion of costs must be kept on file for audit.

Cross-ISD Enrollment

Legislation provides for parent choice to enroll a child into a GSRP of a non-resident ISD. The per-slot allocation for each child enrolled in a non-resident GSRP, along

with the per-slot transportation allocation, is transferred from the resident ISD to the educating ISD. The receiving ISD can use the per-slot allocation to implement Part-Day GSRP, School-Day GSRP or the GSRP/Head Start Blend (where the Head Start grantee's catchment area overlaps ISD boundaries). When the per-slot transfer becomes part of an enrollment in a School-Day program, the ISDs must recognize and implement the use of two slots for that child, unless utilizing the GSRP/Head Start Blend. The resident ISD may choose to use, for administrative services, a maximum of two percent of the total allocation for administrative services. To eliminate duplicate administrative costs related to cross-ISD enrollment, the educating ISD may not retain any amount of the slot allocation for administrative services. Funds associated with cross-ISD enrollment will be accounted for in the Implementation Plan and the Final Expenditure Report. Children served in a non-resident ISD will count as slots filled by the resident ISD; the slots associated with children enrolling in a non-resident ISD will remain with the resident ISD for the calculation of succeeding years' allocations. Therefore, the resident ISD must be responsible for reporting of the children in the Michigan School Data System (MSDS). See the Recruitment and Enrollment section of the GSRP Implementation Manual for more information on cross-ISD enrollment.

Transportation

Legislation expands each ISD's allocation specifically to support transportation services with \$150.00 per slot in addition to the FY15 slot allocation. The ISD may use any amount or all of the transportation allocation, but transportation funds may only be used for transportation services. The transportation allocation is designed to reimburse a program for its plan of transportation services for children to-and-from GSRP; Department of Human Services Bureau of Children and Adult Licensing transportation provisions must be adhered to. These funds are not intended to reimburse parents for exceptional situations such as fuel for personal vehicles or reimbursement for taxis or other public transportation. The educating ISD may choose to retain up to 2% of the transportation allocation for administrative services directly related to transportation services and this amount is calculated separately from the 2% maximum allowed for administrative services in the slot allocation budget. While the ISD should prioritize full use of FY15 transportation allocation funds, the FY15 GSRP slot allocation budget may continue to be used to report additional transportation items, such as field trips. Refer to the Funding section of the Implementation Manual for more information on the transportation allocation.

Budget Detail

The MEGS+ Implementation Plan (formerly "Application") includes two budgets; a slot allocation budget is based on the per-slot allocation to document the broad variety of budget items for the grant, and a transportation allocation budget to document use of the accepted transportation allocation for each ISD and/or subrecipient. Each ISD will enter detailed budgets for the total allocations into the Final Application in MEGS+. The ISD must ensure that all expenditures are approvable within the guidelines provided in this section. Each entry must provide

clear information to determine the appropriateness of planned expenditures. (See Resources for this section for a list of examples of approvable function codes, descriptions and budget templates). Detailed items must be reasonable for the quality of the project activities proposed, include appropriate function codes, and, in total, not exceed the maximum administrative costs. Items reported under Purchased Services must clearly identify personnel, materials, or services.

Personnel Rules

Salaries budgeted for personnel must be accompanied by a budgeted amount for benefits even if that amount is "0". Full Time Equivalent (FTE) or hours must be designated for each individual or category of individuals. A 1.0 FTE is viewed as the equivalent of 40 hours/week, whether the individual is contracted to work the full calendar year or the school calendar year.

Personnel must be budgeted by position (14 FTE Lead Teachers, 14 FTE Associate Teachers). Hours budgeted should equal the total hours per year. In programs that braid or blend GSRP-funded children with children who are supported from other sources, budget only the prorated time staff spends with GSRP-enrolled children.

If staff are hired using an agency, any fee paid to the agency for the provision of staff is to be considered an administrative cost and is reported separately in function code 283.

Use of Federal Food Programs and GSRP Budgeting for Meals and Snacks

GSRP funds may only be used to cover the costs of classroom meals and snacks when the item entered into the GSRP budget represents the difference between the estimated cost of providing meals and snacks and the estimated reimbursement from the National School Nutrition Programs (NSNP) and/or the Child and Adult Care Food Program (CACFP) as applicable.

GSRP LEA subrecipients **must** use NSNP and/or CACFP to recoup the maximum reimbursement available to them before expending GSRP funds for the provision of meals and snacks. An exception to that would be an LEA that is using NSNP for breakfast and lunch that would have to incur more costs to also enroll in CACFP than claiming snack would allow it to recoup. In this case, the cost of using CACFP is greater than the reimbursement and a program would not have to apply to CACFP. The subrecipient may enlist the aid of the Food Service Director who should be able to provide documentation of the cost of the provision of one month's snacks and what the likely reimbursement would be. Documentation would be kept at the subrecipient level and submitted to the ISD to justify the addition of the cost of serving meal/snacks to the budget. If a program has enough classrooms to make using CACFP effective, both programs should be used. If a subrecipient has additional programs, such as a 21st Century Community Learning Center and is

using CACFP for reimbursement, it may be cost effective to add snacks for GSRP onto the CACFP application.

Community-based organizations would be expected to participate in CACFP for all meals/snacks served unless they provide documentation that the agency does not qualify for the program.

The cost of meals/snacks for the GSRP teaching team members, who are expected to join the children in family style meals, may not be charged to the teaching team and may be included in the GSRP portion of the meal/snack budget item.

Use of National School Nutrition Programs

According to the United States Department of Agriculture (USDA) Eligibility Manual For School Meals (October, 2011), children enrolled in State-funded pre-kindergarten classes using identical or more stringent eligibility criteria than the federal Head Start Program are categorically eligible to receive free meals through the NSNP, where applicable.

GSRP students are eligible to participate in the NSNP where applicable. GSRP students in Michigan are not, however, categorically eligible to receive free meals through these programs due to an income requirement less stringent than that of the federal Head Start Program. Rather, the fiscal agent, in collaboration with the subrecipient(s) implementing the grant, is required to retain the appropriate eligibility documentation (i.e., Free and Reduced Meal Family Application).

Regardless of which eligibility category children are in, there is no cost to families for snacks or meals. See guidance in this section for how the full cost of providing snacks and meals is shared between federal reimbursements and the GSRP budget.

Qualifying breakfasts and lunches served to GSRP children may be claimed for federal reimbursement. In order to claim for reimbursement, each fiscal agent must identify, with subrecipient(s), districts/buildings where the NSNP are available to GSRP students. Individual districts are allowed to independently serve, count and claim for federal reimbursement qualifying breakfasts and lunches to GSRP students through their existing State Agency-approved sponsorship of the NSNP.

Use of the Child and Adult Care Food Program

GSRP Students are eligible to participate in Child and Adult Care Food Program (CACFP) where applicable. GSRP students in Michigan are not, however, categorically eligible to receive free meals through the CACFP due to an income requirement less stringent than that of the federal Head Start Program. Rather, the fiscal agent, in collaboration with the consortium member(s) implementing the grant, is required to retain the appropriate eligibility documentation (i.e., Free and Reduced Meal Family Application) and must claim the participants in the appropriate category on monthly claims per the Free and Reduced Meal Family Application.

Regardless of which eligibility category children are in, there is no cost to families for snacks or meals. See guidance in this section for how the full cost of providing snacks and meals is shared between federal reimbursements and the GSRP budget.

Qualifying breakfasts, lunches and snacks served to GSRP children may be claimed for federal reimbursement in the CACFP. In order to claim these meals and snacks reimbursement, each fiscal agent must enter into an agreement to become a State Agency-approved sponsor of the CACFP. The approved sponsor should:

- Establish all individual buildings serving qualifying meals and snacks to GSRP students on the sponsor application as 'sites'.
- Collect and retain GSRP meal and snacks counts and related records for individual sites per CACFP regulations.
- File consolidated monthly claims for all participating sites for reimbursement of meals and snacks served to GSRP participants.

Reporting

It is the responsibility of the ISD to ensure that each GSRP student is accurately reported in the MSDS. The Center for Education and Performance Information (CEPI) uses the Supplemental Nutrition Eligibility (SNE) component to report the student's status as eligible for free or reduced-price milk or meals through the NSNP. Multiple State of Michigan offices use these data in the determination of sub-groups and as the poverty indicator for districts. If the student is participating in meal services through the NSNP, they are to be reported in the SNE field as a part of the Fall General Collection in MSDS. Conversely, if they are *only* participating in meal services through the CACFP, they are *not* to be counted in the SNE field.

Capital Outlay

Capital outlay refers to costs in excess of \$5,000 for developmentally appropriate classroom equipment (per unit), and building purchase and renovation cost, if needed, to meet Public Act 116 of 1973, as amended, licensing approval or to provide sufficient classroom space. Prior approval by MDE is required before the funding for the item is obligated. A written request should include:

- Estimated amount of purchase or renovation, with details if extensive;
- Justification for the purchase or renovation;
- List of funding sources used and portion charged to GSRP;
- Details on the extent of ongoing costs associated with the purchase or renovation;
- Assurance that the purchase or renovation is for GSRP and that GSRP will continue to benefit from the purchase or renovation; and
- Explanation of how program services will be provided if funds are used for capital outlay.

Local Share

Additional funds from other sources utilized to support the program may be reported as Local Agency Share. This is beneficial in documenting the true costs of the program. In programs that combine GSRP-funded children with children supported from other sources, the funds that support the other children's attendance may not be entered. Enter only those contributions to the program for GSRP-funded children.

Budget Amendments

Budget amendments are only required when the total change to a budget category in the ISD Summary Budget is expected to exceed 10%. Amendments are made in MEGS+ and directions can be found in the training modules within the application. The Early Childhood Contact (ECC) should have a conversation with the assigned consultant prior to amending the budget to determine that the proposed amendment is approvable. The ISD should provide policies and procedures to subrecipients for amending local budgets.

Payments to Subrecipients

Funding that comes to the ISDs via State Aid Payment may be forwarded to the subrecipients in several ways. Funding may be sent to the subrecipients as the State Aid payments are received. ISDs may also choose to fund subrecipients on a reimbursement basis. In either case, ISDs follow agreed-upon contract language which details a flow of funding that is fair and equitable across subrecipients. Detailed documentation of expenditures is kept for audit.

MDE Recovery of Funds for Unfilled Slots

Funding for unfilled slots will be recaptured through the State Aid Payment process. See the Funding section for an explanation of documenting filled slots in the MSDS.

Additional Fiscal Reporting

Final Expenditure Report (FER) and Carryover Budget (COB)

At the end of the grant year ISDs must provide details of actual expenditures in the FER. The FER allows the ISD to report how it has used all earned funds. Earned funds are calculated by multiplying the number of Part-day and School-day slots filled as reported in the Spring Early Childhood Collection in the by the current per slot amounts. This is the maximum amount that may be expended.

The FER is reported in MEGS+. The final approved budget is pulled into the report. All expenditures are aggregated across subrecipients and used to complete the FER.

It is required that the ISD monitor individual expenditures for both the ISD and each subrecipient. Monitoring documentation must be retained in ISD administrative files for audit purposes. The breakdown of expenditures should be detailed enough to allow the ISD and MDE staff to determine that all expenditures were necessary, reasonable, and allowable. It must also be clear that the administrative cap has not been exceeded. Resources for this section include a sample Excel spreadsheet to assist the ISD with subrecipient budgeting and tracking of expenditures. The ISD's portion of the budget must also have detailed expenditure reports with back-up documentation on file for audit.

If the ISD and its subrecipients did not expend all of the earned funds, the ISD may submit a Carryover Budget along with the FER. The ISD may allow each subrecipient to budget for its own carryover plans, but will submit one COB along with the FER for MDE approval. Expenditures are made between October 1 and June 30th of the subsequent grant year. A lack of carryover requested and/or unexpended carryover will result in a Prior Year Adjustment.

Carryover FER

The expenditure of carryover funds is reported after the close of the carryover period in MEGS+. ISDs are expected to have documentation of how funds were expended on file for audit.